

Senate Taxation Committee Hearing
SB 258
February 12, 2009

SENATE TAXATION

EXHIBIT NO.

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DATE

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BILL NO.

SB258

My name is Tom Luttrell, I am a Sr. Vice President of Continental Resources, Inc. and am speaking in opposition to Senate Bill 258. Thank you for the opportunity to submit this testimony.

Continental Resources is the second largest oil producer in Montana. Our Company has drilled wells in your state since the early 1990's. We operate over 160 wells in the state and have offices in Sydney and Baker. We directly employ 44 employees in Montana and provide jobs for hundreds of others through various businesses that provide services to our wells and production operations. In 2008 Continental alone paid over \$28 million in oil & gas production taxes to Montana and over \$37 million in royalties to Montana residents.

A significant portion of our wells are drilled in Richland County within the Bakken formation. Continental and the other operators have drilled several hundred wells in this area, which today cost \$4 - \$6 million each to drill.

The Richland County oil field is an excellent example of how Montana has successfully used incentives to increase oil and natural gas investment. In 1999 the legislature had the foresight to simplify the oil and gas tax system and provide incentives.

This certainly contributed to drawing industry. The state's oil production has doubled since January 1994. The resulting revenue and increased business is a vital part of Montana's economy. The oil and gas industry is particularly important to eastern Montana where it directly impacts thousands of citizens by providing well paying jobs, distributing millions in royalty payments, supporting countless restaurants, motels, stores and other private businesses and paying sales taxes collected by those businesses.

Montana has vast potential for further oil and gas exploration. But, you must realize that it is more difficult and expensive to explore for oil and gas in Montana than other parts of our nation;

- The nature of the oil and gas deposits are complex, the wells are more costly to drill and operate because of various factors including cold weather and work force.
- Montana's oil price is inferior – currently almost \$10 per barrel less than the southern oil and gas basins.
- Companies consider these factors when allocating their exploration budgets.

The incentives are clearly a driver for companies to persevere the technological challenges and make the multi-hundred million dollar investment in drilling

Our industry is in troubled times. Companies are dramatically cutting budgets. The Montana oilfield is being hit hard. There have been close to 30 drilling rigs operating in the State; now there are 4. The expensive Richland County wells simply are not economic to drill. This directly impacts hundreds of local jobs and businesses.

Montana's oil and gas industry and Montanans who rely on it do not need more bad news and disincentive. Please vote no on SB 258 and thus send a reaffirming message that Montana supports its oil and natural gas industry.

Thank you for your consideration